

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 7299**

**BILL NUMBER:** HB 1791

**NOTE PREPARED:** Feb 18, 2003

**BILL AMENDED:** Feb 17, 2003

**SUBJECT:** Internet Cigarette Sales.

**FIRST AUTHOR:** Rep. Hasler

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** (Amended) The bill requires a person who sells tobacco products, including cigarettes, by mail, telephone, or Internet order to notify the buyer that the buyer is responsible for unpaid state cigarette taxes. The bill provides a civil penalty for failure to notify a buyer that the buyer is responsible for unpaid cigarette or tobacco product taxes. It prohibits the sale of cigarettes or tobacco products to a person less than 18 years of age. The bill requires a person who sells cigarettes or tobacco products by mail, telephone, or Internet order to verify the buyer's name, address, and date of birth. It also provides a civil penalty for: (1) failing to verify the buyer's name, address, or date of birth; or (2) selling cigarettes or tobacco products to a person less than 18 years of age.

**Effective Date:** July 1, 2003.

**Explanation of State Expenditures:** (Revised) *Attorney General:* This bill would allow the Department of State Revenue to bring suit against out-of-state cigarette merchants selling via the phone, the Internet, or through the mail if the merchant does not follow specific guidelines related to the sale of cigarettes in Indiana. The bill also provides that Alcohol and Tobacco Commission may bring suit against merchants that do not follow specified procedures to ensure that sales are not made to persons under the age of 18. The Attorney General's Office would represent the Department of State Revenue and the Alcohol and Tobacco Commission in the event of a suit.

The Department of State Revenue, the Alcohol and Tobacco Commission, and the Attorney General's Office are expected to be able to absorb any additional administrative costs incurred as a result of this bill.

**Explanation of State Revenues:** *Cigarette Tax Revenue:* The bill would require merchants who sell cigarettes through direct mail or the Internet to include a notice on each package that advises purchasers that they are responsible for remitting the state's Cigarette Tax to the Department of State Revenue. The impact of this provision on Cigarette Tax collections is unknown.

Cigarette Tax revenue is deposited in the state General Fund (83.97%), the Mental Health Fund (0.94%), the Cigarette Tax Fund (6.60%), and the Pension Relief Fund (8.49%).

*Penalty Provisions:* The bill provides merchants who violate the bill's provisions related to reporting sales to the Department of State Revenue or who violate the provisions related to verifying that a sale is made to a person over 18 are subject to civil penalties ranging from \$1,000 to \$10,000 depending upon the frequency in which the provisions are violated.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Attorney General's Office; Department of State Revenue; Alcohol and Tobacco Commission.

**Local Agencies Affected:**

**Information Sources:** Jennifer Thuma, Legislative Liaison, Attorney General's Office, 233-6143

**Fiscal Analyst:** John Parkey, 317-232-9854